



# JOINT BUDGET COMMITTEE STAFF FY 2019-20 BUDGET BRIEFING SUMMARY

Colorado General Assembly  
Joint Budget Committee

## *Capital Construction*

The capital construction section of the Long Bill includes funding appropriated to state departments and institutions of higher education for capital construction and controlled maintenance. Capital construction appropriations are primarily supported by General Fund transferred to the Capital Construction Fund. The FY 2018-19 General Fund transfers to the Capital Construction Fund (\$180.5 million) represents 1.4 percent of FY 2018-19 General Fund revenues, based on the September 2018 Legislative Council Staff forecast.

## FY 2018-19 APPROPRIATION AND FY 2019-20 REQUEST

		Capital Construction				
		TOTAL FUNDS	CAPITAL CONSTRUCTION FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS
		FY 2018-19 APPROPRIATION:				
		FY 2018-19 Long Bill (H.B. 18-1322 – bldg. capital only)				
		321,792,673	138,638,766	182,778,907	375,000	0
		<b>TOTAL</b>	<b>\$321,792,673</b>	<b>\$138,638,766</b>	<b>\$182,778,907</b>	<b>\$375,000</b>
<b>Priority</b>						
<b>OSP</b>	<b>CCHE</b>	FY 2019-20 PRIORITIZED REQUESTS (STATE-FUNDED) REQUESTED APPROPRIATION:				
1		Level I Controlled Maintenance (28 items)	27,963,348	27,963,348	0	0
2		DHS: DYS Facility Refurbishment	2,638,927	2,638,927	0	0
3	1	HED: UC-Denver CU Anschutz - Center for Personalized Medicine and Behavioral Health	31,251,986	19,846,986	11,405,000	0
4	2	HED: FRCC Larimer Campus Health Care Center	15,623,484	11,927,424	3,696,060	0
5	3	HED: CSU Shepardson Bldg Renov and Addition	22,482,700	13,482,700	9,000,000	0
6	4	HED: FLC Whalen Gymnasium Expansion and Renovation for Exercise Science	28,057,892	25,252,103	2,805,789	0
7		DOC: DRDC and CCF Population Swap	11,122,534	11,122,534	0	0
8		DHS: CMHIP Campus Utility Infrastructure Upgrade, ph 1 of 3 (capital renewal)	9,155,876	9,155,876	0	0
9		DOC: SCF Steam Condens Line Repl (cap renewal)	6,595,031	6,595,031	0	0
10		DOC:AVCF Util Water Lines Repl. (cap renewal)	7,038,924	7,038,924	0	0
11	12	HED: UNC Boiler #3 Replacement (cap renewal)	3,679,012	3,634,012	45,000	0
12		DMVA: GJ Veterans Memorial Cemetery Columbarium and Upgrade Steam Filter System	2,667,390	2,667,390	0	0
13		Level II Controlled Maintenance, part 1 (28 items)	26,598,340	26,598,340	0	0
14		DHS: CMHIFL F2 and F3 Cottage Renovation	17,835,851	17,835,851	0	0
15-17		TRE/HED: CSU NWC COP Projects	0	0	0	0
18		DHS: Secure Treatment Facility for Restorations	11,544,347	11,544,347	0	0
		<b>SUBTOTAL - Prioritized Requests</b>	<b>\$224,255,642</b>	<b>\$197,303,793</b>	<b>\$26,951,849</b>	<b>\$0</b>
		FY 2019-20 OSPB PRIORITIZED AS IT CAPITAL:				
		GOV-OIT: Microwave Infrastructure Repl.	10,316,372	10,316,372	0	0
		<b>SUBTOTAL - Additional Prioritized Request</b>	<b>\$234,572,014</b>	<b>\$207,620,165</b>	<b>\$26,951,849</b>	<b>\$0</b>

Capital Construction					
	TOTAL FUNDS	CAPITAL CONSTRUCTION FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS
FY 2019-20 NON-PRIORITIZED REQUESTS (100% CASH-FUNDED) REQUESTED APPROPRIATION:					
DHS: VCLC Homelake Rotunda/Wkshop Renov	197,573	0	197,573	0	0
DHS: VCLC Fitzsimons Upgrades	199,635	0	199,635	0	0
DNR: Infrastructure and Facilities	2,158,090	0	2,158,090	0	0
DNR: Property Acquisitions	11,000,000	0	11,000,000	0	0
DHS: Department-wide Facility Master Plan	1,101,159	0	1,101,159	0	0
DHS: DRCO Depreciation Fund Capital Improv	757,405	0	757,405	0	0
HistCO: Regional Property Preservation Projects	700,000	0	700,000	0	0
<b>SUBTOTAL - Non-prioritized Requests</b>	<b>\$16,113,862</b>	<b>\$0</b>	<b>\$16,113,862</b>	<b>\$0</b>	<b>\$0</b>
<b>TOTAL</b>	<b>\$250,685,876</b>	<b>\$207,620,165</b>	<b>\$43,065,711</b>	<b>\$0</b>	<b>\$0</b>
<b>INCREASE/(DECREASE)</b>	(\$71,106,797)	\$68,981,399	(\$139,713,196)	(\$375,000)	\$0
Percentage Change	(22.1%)	49.8%	(76.4%)	(100.0%)	n/a

## SUMMARY OF ISSUES PRESENTED TO THE JOINT BUDGET COMMITTEE

**THE CMTF AND DEPRECIATION-LEASE EQUIVALENT PAYMENTS:** Section 24-30-1310, C.R.S., enacted in S.B. 15-211, requires depreciation-lease equivalent payments from the General Fund to the Capital Construction Fund and the Controlled Maintenance Trust Fund (CMTF) for state-funded capital construction projects. The CMTF was established to provide a consistent source of revenue to fund controlled maintenance from interest earnings. However, the CMTF is also a designated state emergency reserve which allows the Governor to draw from the principal for emergency declarations. Primarily due to draws for emergencies and due to the low interest rate environment since 2008, the reduced principal in the CMTF has not generated interest earnings to meaningfully fund controlled maintenance. Additionally, state agencies may be improperly expensing rather than depreciating capital construction expenditures, sidestepping the depreciation-lease equivalent payment mechanism intended to create a closed loop for capital construction funding.

**S.B. 14-110 REQUIREMENT TO PROPOSE NEW FINANCING METHODS FOR CC:** Section 2-3-203 (1)(g), C.R.S., enacted in S.B. 14-110, requires the JBC, in consultation with the Capital Development Committee (CDC), to develop and make recommendations concerning new methods of financing the state's ongoing capital construction, capital renewal, and controlled maintenance needs. This provision requires the JBC to develop and make recommendations by January 1, 2019, and recommend legislation to implement the recommendations by February 1, 2019.

**PROPOSE A CAPITAL ASSET MANAGEMENT AND FINANCE AUTHORITY:** The proposal for the creation of a capital asset management and finance authority for state agency buildings would satisfy the requirement that the JBC develop and make recommendations concerning new methods of financing the State's ongoing capital construction-related needs. The authority would be structured as an independent enterprise charged with a primary goal of maximizing the value of capital assets under management (stewardship) and a secondary goal of minimizing lease costs to state agencies (operating cost savings). The authority would be responsible for the lifecycle management of its portfolio of state buildings through the finance, construction, controlled maintenance, renovation, and demolition or sale of capital assets. The authority would lease buildings to state agencies for long-term (near-lifecycle) periods through

formal lease agreements, hold ownership of capital assets in trust for the State, and return to the State, a majority of any realized profits on each building at the end of its lifecycle.

**PROPOSE DISTINCT HIGHER EDUCATION CAPITAL CONSTRUCTION FUNDING:** Institutions of higher education hold 74.5 percent of the state's building inventory. In comparison to state agencies, institutions of higher education, as enterprises, are treated with a substantial degree of independence and have access to multiple sources of revenue beyond state funding. Institution of higher education building projects follow a separate request and approval process as established through the Colorado Commission on Higher Education (CCHE). In order to more effectively manage capital construction budgeting for state agency buildings, it may be appropriate to consider a separate and distinct system or model for capital construction funding and budgeting for institutions of higher education through a funding formula distribution in fee-for-service contract payments.

**DHS FACILITIES MANAGEMENT PRACTICES AND CAPITAL CONSTRUCTION:** The Department of Human Services (DHS) has requested substantial capital construction funding related to "competency services" for FY 2018-19 and FY 2019-20, including \$15.3 million of a \$34.2 million project to convert the Ridge View Youth Services Center to a mental health restoration facility. In an issue brief from the November 2015, Capital Construction Budget Briefing, JBC staff identified issues and concerns with Department facilities management practices which the Department has not changed or improved. The JBC staff analyst for the DHS behavioral services programs has expressed concerns and reservations about funding the Department's capital construction request related to competency services from a program perspective. For other reasons related to good stewardship of state assets, the JBC staff analyst for capital construction also cannot recommend additional state funding of DHS capital construction requests based on the continuing concerns and issues cited in that issue brief that have never been corrected.

## FOR MORE INFORMATION

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**TO READ THE ENTIRE BRIEFING:** [http://leg.colorado.gov/sites/default/files/fy2019-20\\_capbrf.pdf](http://leg.colorado.gov/sites/default/files/fy2019-20_capbrf.pdf)